

**WEST SIOUX
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT
JUNE 30, 2010**

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010
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WEST SIOUX COMMUNITY SCHOOL DISTRICT

LIST OF PRINCIPAL OFFICIALS

Board of Education (Before September 2009 Election)

		Term Expires
Doug Smit	President	2009
Armando Ortiz	Vice President	2009
Ryan Schwiesow	Board Member	2011
Jody Anderson	Board Member	2011
Curt Anderson	Board Member	2009

Board of Education (After September 2009 Election)

Susan Sharpe	President	2013
Ryan Schwiesow	Vice President	2011
Jeff Eilts	Board Member	2013
Jody Anderson	Board Member	2011
Gary Witt	Board Member	2013

School Officials

Gary Richardson	Superintendent	2010
Paula Bartunek	Treasurer and Business Manager	2010
Karin Borchers	District Secretary	2010
James Pickner	Attorney	2010



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
West Sioux Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the West Sioux Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Sioux Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of West Sioux Community School District as of June 30, 2010 and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2010, on our consideration of the West Sioux Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 37 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Sioux Community School District's basic financial statements. The financial statements for the three years ended June 30, 2006, (none of which are presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report and they expressed unqualified opinions on them. The financial statements for the three years ended June 30, 2009 (not presented) were audited by us in accordance with the standards referred to in the second paragraph of this report and we expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
December 18, 2010

Management Discussion and Analysis

West Sioux Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 Financial Highlights

- General Fund revenues increased from \$6,870,326 in fiscal year 2009 to \$7,878,526 in fiscal year 2010, while General Fund expenditures decreased from \$6,983,261 in fiscal year 2009 to \$6,857,036 in fiscal 2010. In spite of a 10% across the board cut from the state, the District's General Fund balance increased dramatically from \$(624,186) in fiscal year 2009 to 361,346 in fiscal year 2010, a 157.89% increase.
- The increase in General Fund revenues was attributable to an increase in federal revenue in fiscal 2010 as well as an increase in property tax revenue. Property taxes in general fund increased by over \$800,000, due to a cash reserve levy, which was levied to address the district's negative fund balance. Federal revenues increased due to funding from the American Recovery and Reinvestment Act. The decrease in expenditures was due primarily to a decrease in regular instruction expenditures. The General Fund balance will be carefully monitored during the year keeping in mind the fluctuation in revenues caused by legislative action and student enrollments.
- Due to the current recession, in October 2009, the governor of the State of Iowa announced a 10% across the board cut in funding, amounting to \$350,000. This directly affected the general fund revenues, and ultimately, the ending fund balance for fiscal year 2010.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Sioux Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Sioux Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

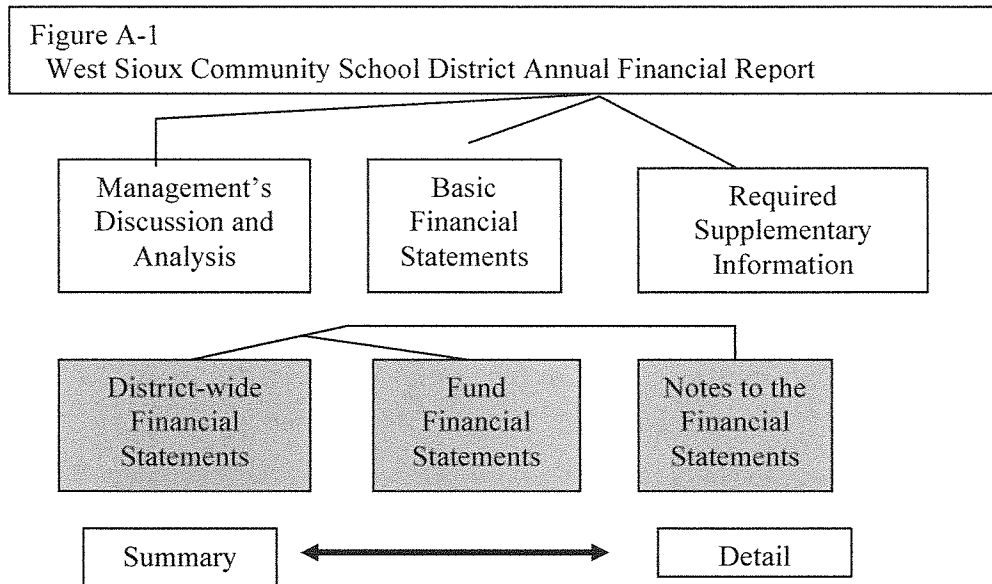


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here
Required financial statements	<ul style="list-style-type: none"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenditures, and changes in fund net assets Statement of cash flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's Food Service and Before and After School/Daycare Programs would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to repay its long-term debts, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

1. *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance

2. *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds; the School Nutrition Fund and the Before and After School Fund/Daycare Fund.

The required financial statements for governmental funds include a statement of net assets, a statement of revenues, expenditures and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business -Type Activities		Total District		Total %
	June 30		June 30		June 30		Change
	2009	2010	2009	2010	2009	2010	2009/2010
Current and Other Assests	\$ 7,400,071	\$ 5,992,757	\$ (245,859)	\$ (179,777)	\$ 7,154,212	\$ 5,812,980	-18.747%
Capital Assets	5,449,684	5,304,869	461,664	476,759	5,911,348	5,781,628	-2.194%
Total Assets	12,849,755	11,297,626	215,805	296,982	13,065,560	11,594,608	-11.258%
							-
Current Liabilities	6,954,000	4,362,917	7,973	33,465	6,961,973	4,396,382	-36.851%
Long-Term Liabilities	3,911,386	3,287,155	-	-	3,911,386	3,287,155	-15.959%
Total Liabilities	10,865,386	7,650,072	7,973	33,465	10,873,359	7,683,537	-29.336%
Net Assets							
Invested in Capital Assets							
Net of Related Debt	1,389,085	1,602,328	461,664	476,759	1,850,749	2,079,087	12.338%
Restricted	510,338	955,843	-	-	510,338	955,843	87.296%
Unrestricted	84,946	1,089,383	(253,832)	(213,242)	(168,886)	876,141	618.777%
Total Net Assets	\$ 1,984,369	\$ 3,647,554	\$ 207,832	\$ 263,517	\$ 2,192,201	\$ 3,911,071	78.408%

The District's combined net assets increased by 78.4% or approximately \$1,718,870 over the prior year. The largest portion of the District's net assets is the invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$445,505 or 87.3% from the prior year. The increase was primarily a result of increased net asset restrictions for categorical funding and Debt Service.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements – increased approximately \$1,045,000 or 618.78%. This is largely due to the increased financial stability in the general fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4 Changes in Net Assets from Operations

	Governmental Activities		Business -Type Activities		Total District		Total %
	June 30		June 30		June 30		Change
	2009	2010	2009	2010	2009	2010	2009/2010
Revenue:							
Program revenue							
Charges for services	\$ 590,251	\$ 574,526	\$ 194,758	\$ 222,994	\$ 785,009	\$ 797,520	1.594%
Operating grants and contributions	1,252,616	1,962,899	227,119	261,816	1,479,735	2,224,715	50.346%
Capital grants & contributions	137,455	-	-	-	137,455	-	-100.000%
General revenues:							
Property tax	2,423,217	3,429,788	-	-	2,423,217	3,429,788	41.539%
Instruction support tax	166,303	203,323	-	-	166,303	203,323	22.261%
Local option sales tax	540,943	540,220	-	-	540,943	540,220	-0.134%
Unrestricted state grants	3,305,716	2,802,803	-	-	3,305,716	2,802,803	-15.213%
Unrestricted investment earnings	105,938	60,076	980	1,352	106,918	61,428	-42.547%
Other	19,763	27,971	1,052	1,221	20,815	29,192	40.245%
Transfers	(398,053)	(69,694)	398,053	69,694	-	-	0.000%
Total Revenue	8,144,149	9,531,912	821,962	557,077	8,966,111	10,088,989	12.524%
Program expenses:							
Instruction	5,678,330	5,317,322	-	-	5,678,330	5,317,322	-6.358%
Support service	2,037,605	2,035,375	-	-	2,037,605	2,035,375	-0.109%
Non-instructional programs	1,194	2,936	577,487	501,392	578,681	504,328	-12.849%
Other expenses	478,648	513,094	-	-	478,648	513,094	7.197%
Total expenses	8,195,777	7,868,727	577,487	501,392	8,773,264	8,370,119	-4.595%
Change in net assets	\$ (51,628)	\$ 1,663,185	\$ 244,475	\$ 55,685	\$ 192,847	\$ 1,718,870	791.313%

In fiscal year 2010, property tax, local option sales tax, and unrestricted state grants account for 71.1% of the total revenue from governmental activities while charges for services and operating grants and contributions account for 26.6% of the revenue from business type activities. The District's expenses primarily relate to instruction and support services, which account for 93.41% of the total expenses.

The District's total revenues were \$10,088,989 of which \$9,531,912 was for governmental activities and \$557,077 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 12.5% increase in revenues and a 4.6% decrease in expenditures. Property tax revenue increased as a result of an increased general fund levy and property, plant and equipment fund levy.

Charges for services in the business-type activities, which include the school nutrition and daycare programs, increased. Expenditures for the business-type activities decreased due to the reduced costs associated with school nutrition and daycare programs. The preschool program was incorporated into the general fund since the district is receiving Universal Pre-School funding from the State of Iowa.

Governmental Activities

Figure A-5 presents the cost of four major district activities: instruction, support services, non-instructional, and other. The table also shows each activity's net cost (total cost less fees generated by activities and intergovernmental aid provided for specific programs.) The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-5 Total and Net Cost of Government Activities

	Total Cost of Services			Net Cost of Services		
	June 30		Change	June 30		Change
	2009	2010		2009	2010	
Instruction	\$ 5,678,330	\$ 5,317,322	-6.358%	\$ 4,156,324	\$ 3,130,617	-24.678%
Support services	2,037,605	2,035,375	-0.109%	1,989,208	1,990,297	0.055%
Non-Instructional	1,194	2,936	145.896%	-	-	0.000%
Other	478,648	513,094	7.197%	69,923	210,388	200.885%
Totals	<u>\$ 8,195,777</u>	<u>\$ 7,868,727</u>	<u>-3.990%</u>	<u>\$ 6,215,455</u>	<u>\$ 5,331,302</u>	<u>-14.225%</u>

- The cost financed by users of the District's programs was \$574,526.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,962,899.
- The net cost of governmental activities was financed with \$4,173,331 in property and other taxes and \$2,802,803 in unrestricted state grants.

Business Type Activities

Revenues and transfers for business type activities during the year ended June 30, 2010 were \$557,077 representing a 32.2% decrease over the prior year, while expenses were \$501,392, a 13.2% decrease over the prior year. The District's business type activities include the School Nutrition Fund and the Before and After School/Daycare Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Sioux Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,840,774, \$1,391,648 ahead of last year's ending fund balances of \$449,126. The primary reason for the increase in combined fund balances in fiscal 2010 is due to the decreased expenditures related to regular instruction and the effort to improve the district general fund ending fund balance. Fund balance increases were also realized in categorical funding, Debt Service, Special Revenue Funds and the Capital Projects Fund.

Governmental Fund Highlights

The District's dramatically improved General Fund financial position is the result of a combination of increased revenues and decreased expenditures. Because of the effort to improve the cash flow in the General Fund, the District borrowed \$1,350,000 from ISCAP, down \$700,000 from the previous year.

- The General Fund balance increased from \$(624,186) to \$361,345, due in part to a reduction in expenditures, but mainly due to increased revenues from property tax, which was levied for cash reserve, intended to make the district more financially sound.

- The Capital Projects Funds balance ended fiscal year 2009 with a balance of \$504,588 and ended fiscal year 2010 with a balance of \$822,158, an increase of \$317,570.

Proprietary Fund Highlights

The Before and After School/Daycare fund net assets decreased from \$299,331 at June 30, 2009 to \$272,348 at June 30, 2010. Charges for services increased from \$50,377 in fiscal year 2009 to \$75,768 in fiscal year 2010, while expenditures decreased from \$143,552 in 2009 to \$136,487 in 2010. The net operating loss in 2010 was \$60,719, compared to \$93,060 in 2009. The school nutrition fund net assets increased from \$(55,541) in 2009 to \$(8,831) in 2010. This is a result of increased revenue and decreased expenditures.

BUDGETARY HIGHLIGHTS

The District's receipts were \$288,243 less than budgeted receipts. The most significant variance resulted from the District receiving less state aide than budgeted, due to the 10% across the board cut in funding from the state.

Total expenditures were less than budgeted by \$1,898,668. Actual expenditures from instruction and support services were over \$2,500,000 less than budgeted while expenditures for the Proprietary Funds were \$501,392 more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$ 5.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.19% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$270,455.

Figure A-6 Capital Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30		June 30		June 30		June 30
	2009	2010	2009	2010	2009	2010	2009-2010
Land	\$ 51,375	\$ 51,375	\$ -	\$ -	\$ 51,375	\$ 51,375	0.00%
Construction in Progress	-	20,000	395,579	-	395,579	20,000	-94.94%
Buildings and Improvements	5,131,249	4,959,820	-	387,667	5,131,249	5,347,487	4.21%
Furniture and Equipment	267,060	273,674	66,085	89,092	333,145	362,766	8.89%
Totals	\$ 5,449,684	\$ 5,304,869	\$ 461,664	\$ 476,759	\$ 5,911,348	\$ 5,781,628	-2.19%

Long-Term Debt

At June 30, 2010, the District had \$3,495,000 in general obligation bonds outstanding, \$200,000 in bond anticipation notes, \$7,541 in capital lease obligations and \$210,440 in early retirement obligations. The total long term debt decreased by \$408,726 due primarily to payment of general obligation bonds and no additions to the early retirement obligations. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District enrollment has decreased in fiscal year 2009-2010 by 12 students to a certified enrollment of 703.4. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2009-2010 school year, West Sioux students who open enrolled out to other districts decreased by 10 students, from 61 to 51. Because West Sioux is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District annually negotiates a one-year contract with the West Sioux Education Teacher Association (WSETA). Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The District had to appear before the School Budget Review Committee for overspending on the Fiscal Year 2009 Unspent Authorized Budget in the amount of \$342,224. A workout plan was submitted to, and approved by the SBRC. The District is working to decrease expenditures and stay within the authorized budget. The District had a positive Unspent Authorized Budget for Fiscal Year 2010.
- In Fiscal Year 2009, a Daycare and Preschool were added to the District. These programs are to be self supporting. In fiscal year 2010, the District was awarded a Universal Pre-School Grant from the State in the amount of \$176,460.
- Because of the economic downturn, during the 2009-10 fiscal year the District experienced a 10% across the board cut in state aide, amounting to \$350,000. Additional state aide, not paid by the state, was replaced by American Recovery and Reinvestment Act funding.
- During the 2010-11 fiscal year, \$72,034 of the district state aide will be replaced with funding from the American Recovery and Reimbursement Act. The district will also receive \$144,670 in Federal Education Jobs Funding that must be spent by September 30, 2012. Districts are advised to use the ARRA funding to create or save jobs, to spend it quickly and wisely in a manner to avoid a funding cliff in 2012.
- The district will experience a state aide shortfall of \$243,565 during the 2010-11 fiscal year, which will directly affect the ending fund balance in the General Fund.
- An operational sharing arrangement has begun for the 2010-11 fiscal year with the sharing of services for the superintendent and business management. The district will realize a decrease in

expenditures because of the shared positions. State funding for operational sharing will increase revenues for the 2011-12 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paula Bartunek, Business Manager at the West Sioux Community School District, 1300 Avenue P, Hawarden, IA 51023 or 712-551-1461.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental	Business		West Sioux
	Activities	Type	Total	Educational
		Activities		Foundation
ASSETS				
Cash and Cash Equivalents	\$ 2,145,664	\$ 83,888	\$ 2,229,552	\$ 22,857
Investments	-	-	-	387,866
Receivables:				
Property Tax	54,519	-	54,519	-
Succeeding Year Property Tax	2,842,818	-	2,842,818	-
Income Surtax	155,388	-	155,388	-
Accounts	9,170	1,688	10,858	-
Internal Balances	290,093	(290,093)	-	-
Due from Other Governments	262,526	20,070	282,596	-
Restricted Assets:				
Cash and Cash Equivalents	201,900	-	201,900	-
Inventories	-	4,670	4,670	-
Bond Issue Costs	30,679	-	30,679	-
Land	51,375	-	51,375	-
Construction in Progress	20,000	-	20,000	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,233,494	476,759	5,710,253	-
Total Assets	11,297,626	296,982	11,594,608	410,723
LIABILITIES				
Accounts Payable	207,210	8,841	216,051	-
Salaries and Benefits Payable	650,641	20,712	671,353	-
Accrued Interest Payable	10,753	-	10,753	-
Unearned Revenue	12,727	3,912	16,639	-
Deferred Revenue - Succeeding Year Taxes	2,842,818	-	2,842,818	-
Noncurrent Liabilities:				
Due Within One Year:				
Bonds Payable	390,000	-	390,000	-
Lease Obligations Payable	3,493	-	3,493	-
Bond Anticipation Notes	200,000	-	200,000	-
Early Retirement Payable	45,275	-	45,275	-
Due in More Than One Year:				
Lease Obligations Payable	4,048	-	4,048	-
Early Retirement Payable	165,165	-	165,165	-
Bonds Payable	3,105,000	-	3,105,000	-
Net OPEB Liability	12,942	-	12,942	-
Total Liabilities	7,650,072	33,465	7,683,537	-
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	1,602,328	476,759	2,079,087	-
Restricted for:				
Categorical Funding	272,591	-	272,591	-
Debt Service	255,160	-	255,160	-
Management Levy	123,080	-	123,080	-
Physical Plant and Equipment Levy	162,977	-	162,977	-
Other Special Revenue Purposes	142,035	-	142,035	-
Unrestricted	1,089,383	(213,242)	876,141	410,723
Total Net Assets	\$ 3,647,554	\$ 263,517	\$ 3,911,071	\$ 410,723

See Accompanying Notes to Financial Statements

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,518,515	\$ 132,581	\$ 1,059,153	\$ -
Special Instruction	2,060,520	4,170	565,160	-
Other Instruction	738,287	418,408	7,233	-
Support Services:				
Student Services	183,907	11,622	-	-
Instructional Staff Services	194,231	-	-	-
Administration Services	724,346	7,345	-	-
Operation and Maintenance	620,530	400	-	-
Transportation Services	312,361	-	25,711	-
Non-instructional Programs	2,936	-	2,936	-
Other Expenditures:				
Facilities Acquisition and Construction Services	85,015	-	-	-
Long-term Debt Interest	125,373	-	-	-
AEA Flowthrough	302,706	-	302,706	-
Total governmental activities	<u>7,868,727</u>	<u>574,526</u>	<u>1,962,899</u>	<u>-</u>
Business Type Activities:				
Non-instructional Programs				
Before and After School Program	136,487	75,768	-	-
Food Service Operations	364,905	147,226	261,816	-
Total Business Type Activities	<u>501,392</u>	<u>222,994</u>	<u>261,816</u>	<u>-</u>
Total Primary Government	<u>8,370,119</u>	<u>797,520</u>	<u>2,224,715</u>	<u>-</u>
Component Unit:				
School Education Foundation	<u>\$ 15,768</u>	<u>\$ -</u>	<u>\$ 21,688</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Instructional Support Surtax				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Other				
Transfers				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business Type Activities	Total	Component Unit West Sioux Educational Foundation
\$ (1,326,781)		\$ (1,326,781)	
(1,491,190)		(1,491,190)	
(312,646)		(312,646)	
(172,285)		(172,285)	
(194,231)		(194,231)	
(717,001)		(717,001)	
(620,130)		(620,130)	
(286,650)		(286,650)	
-		-	
(85,015)		(85,015)	
(125,373)		(125,373)	
-		-	
(5,331,302)		(5,331,302)	
	\$ (60,719)	(60,719)	
	44,137	44,137	
	(16,582)	(16,582)	
(5,331,302)	(16,582)	(5,347,884)	
			\$ 5,920
2,862,781	-	2,862,781	-
315,454	-	315,454	-
251,553	-	251,553	-
203,323	-	203,323	-
540,220	-	540,220	-
2,802,803	-	2,802,803	-
60,076	1,352	61,428	18,282
27,971	1,221	29,192	-
(69,694)	69,694	-	-
6,994,487	72,267	7,066,754	18,282
1,663,185	55,685	1,718,870	24,202
1,984,369	207,832	2,192,201	386,521
\$ 3,647,554	\$ 263,517	\$ 3,911,071	\$ 410,723

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General	Capital Project	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 697,473	\$ 746,582	\$ 701,609	\$ 2,145,664
Receivables:				
Property Tax	43,005	-	11,514	54,519
Succeeding Year Property Tax	2,399,930	-	442,888	2,842,818
Income Surtax	155,388	-	-	155,388
Accounts	1,390	-	7,780	9,170
Due from Other Funds	289,724	-	369	290,093
Due from Other Governments	168,850	93,676	-	262,526
Restricted Assets:				
Cash and Cash Equivalents	-	201,900	-	201,900
Total Assets	3,755,760	1,042,158	1,164,160	5,962,078
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	169,530	20,000	17,680	207,210
Salaries and Benefits Payable	650,641	-	-	650,641
Early Retirement Payable	-	-	45,275	45,275
Deferred Revenue	18,925	-	1,047	19,972
Deferred Revenue - Income Surtax	155,388	-	-	155,388
Deferred Revenue - Succeeding Year Taxes	2,399,930	-	442,888	2,842,818
Bond Anticipation Notes	-	200,000	-	200,000
Total Liabilities	3,394,414	220,000	506,890	4,121,304
Fund Balances:				
Reserved for:				
Categorical Funding	272,591	-	-	272,591
Debt Service	-	201,900	64,013	265,913
Unreserved for:				
General Fund	88,755	-	-	88,755
Special Revenue Fund	-	-	593,257	593,257
Capital Project Fund	-	620,258	-	620,258
Total Fund Balances	361,346	822,158	657,270	1,840,774
Total Liabilities and Equity	\$ 3,755,760	\$ 1,042,158	\$ 1,164,160	\$ 5,962,078

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 16)	\$ 1,840,774
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,304,869
Deferred revenues from the balance sheet that provide current financial resources for governmental activities.	162,633
Bond Issue Costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	30,679
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,753)
Long-term liabilities, including bonds payable, lease obligations payable, early retirement payable, and other post employment benefits payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(3,680,648)</u>
Total Net Assets - Governmental Activities (page 13)	<u><u>\$ 3,647,554</u></u>

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General	Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax	\$ 2,903,752	\$ 540,220	\$ 715,824	\$ 4,159,796
Tuition	120,241	-	-	120,241
Other	90,865	10,028	443,473	544,366
State Sources	3,793,844	-	-	3,793,844
Federal Sources	969,824	-	-	969,824
Total Revenue	7,878,526	550,248	1,159,297	9,588,071
EXPENDITURES:				
Current:				
Instruction:				
Regular Instruction	2,362,421	-	26,245	2,388,666
Special Instruction	2,056,316	-	-	2,056,316
Other Instruction	310,107	-	411,183	721,290
Support Services:				
Student Services	180,362	-	3,132	183,494
Instructional Staff Services	194,050	-	-	194,050
Administration Services	719,222	-	-	719,222
Operation and Maintenance	460,216	-	146,467	606,683
Transportation Services	268,700	-	-	268,700
Non-instructional Programs	2,936	-	-	2,936
Other Expenditures:				
Facilities Acquisition and Construction Services	-	56,736	162,214	218,950
Long-term Debt:				
Principal	-	-	358,058	358,058
Interest and Fiscal Charges	-	-	139,394	139,394
AEA Flowthrough	302,706	-	-	302,706
Total Expenditures	6,857,036	56,736	1,246,693	8,160,465
Excess (Deficiency) of Revenues Over Expenditures	1,021,490	493,512	(87,396)	1,427,606
Other Financing Sources (Uses):				
Transfers In	-	-	180,323	180,323
Transfers Out	(35,958)	(175,942)	(4,381)	(216,281)
Total Other Financing Sources (Uses)	(35,958)	(175,942)	175,942	(35,958)
Net Change in Fund Balances	985,532	317,570	88,546	1,391,648
Fund Balances (Deficits) - Beginning of Year	(624,186)	504,588	568,724	449,126
Fund Balances - End of Year	\$ 361,346	\$ 822,158	\$ 657,270	\$ 1,840,774

See Accompanying Notes to Financial Statements

WEST SIOUX COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$ 1,391,648
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation exceeded capital outlays in the current year as follows:

Expenditures for capital assets	\$ 106,999	
Depreciation expense	(251,814)	(144,815)

Accrued interest expense that does not require current financial resources.	17,896
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	13,535
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Long term portion of early retirement liability	43,680	
Other post employment benefits		(12,942)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	(3,875)
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The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows:

Bonds payable	355,000	
Lease obligations payable	3,058	358,058

Change in net assets of governmental activities (page 15)	<u>\$ 1,663,185</u>
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WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Before & After School Fund	Non-Major Proprietary Funds	Total Proprietary Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 32,486	\$ 51,402	\$ 83,888
Accounts Receivable	1,375	313	1,688
Due from Other Governments	-	20,070	20,070
Inventories	-	4,670	4,670
Total Current Assets	<u>33,861</u>	<u>76,455</u>	<u>110,316</u>
Noncurrent Assets:			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>420,279</u>	<u>56,480</u>	<u>476,759</u>
Total Noncurrent Assets	<u>420,279</u>	<u>56,480</u>	<u>476,759</u>
Total Assets	<u>454,140</u>	<u>132,935</u>	<u>587,075</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,571	7,270	8,841
Due To Other Funds	-	119,749	119,749
Salaries and Benefits Payable	9,877	10,835	20,712
Unearned Revenue	-	3,912	3,912
Total Current Liabilities	<u>11,448</u>	<u>141,766</u>	<u>153,214</u>
Total Liabilities	<u>11,448</u>	<u>141,766</u>	<u>153,214</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	420,279	56,480	476,759
Unrestricted	(147,931)	(65,311)	(213,242)
Total Net Assets	<u>\$ 272,348</u>	<u>\$ (8,831)</u>	<u>\$ 263,517</u>

See Accompanying Notes to Financial Statements

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Before & After School Fund	Non-Major Proprietary Funds	Total Proprietary Funds
Operating Revenues:			
Charges for services	\$ 75,768	\$ 147,226	\$ 222,994
Miscellaneous	-	1,221	1,221
Total Operating Revenue	75,768	148,447	224,215
Operating Expenditures:			
Non-Instructional Programs:			
Salaries	92,490	94,603	187,093
Benefits	28,949	50,805	79,754
Purchased Services	105	1,514	1,619
Supplies	5,907	208,378	214,285
Depreciation	9,036	9,605	18,641
Total Operating Expenses	136,487	364,905	501,392
Operating (Loss)	(60,719)	(216,458)	(277,177)
Non-Operating Revenues :			
Interest Income	-	1,352	1,352
State Lunch Reimbursements	-	3,904	3,904
National School Lunch Program	-	218,804	218,804
Federal Food Commodities Received	-	39,108	39,108
Total Non-Operating Revenues	-	263,168	263,168
Income (Loss) Before Contributions and Transfers	(60,719)	46,710	(14,009)
Capital Contributions	33,736	-	33,736
Transfers	-	35,958	35,958
Change in net assets	(26,983)	82,668	55,685
Net Assets - beginning	299,331	(91,499)	207,832
Net Assets - ending	\$ 272,348	\$ (8,831)	\$ 263,517

See Accompanying Notes to Financial Statements

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Before & After School Fund	Non-Major Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 74,393	\$ 148,101	\$ 222,494
Cash received from miscellaneous operating activities	-	1,733	1,733
Cash paid to employees for services	(111,562)	(134,573)	(246,135)
Cash paid to suppliers for goods or services	(5,406)	(169,630)	(175,036)
Total cash (used) by operating activities	<u>(42,575)</u>	<u>(154,369)</u>	<u>(196,944)</u>
Cash flows from noncapital financing activities:			
State grants received	-	3,904	3,904
Federal grants received	-	214,751	214,751
Increase in due from other funds	36,677	(109,501)	(72,824)
Transfer from other funds	-	35,958	35,958
Total cash provided by noncapital financing activities	<u>36,677</u>	<u>145,112</u>	<u>181,789</u>
Cash flows from investing activities:			
Interest on investments	-	1,352	1,352
Net decrease in cash and cash equivalents	(5,898)	(7,905)	(13,803)
Cash and cash equivalents - beginning of year	<u>38,384</u>	<u>59,307</u>	<u>97,691</u>
Cash and cash equivalents - end of year	<u><u>32,486</u></u>	<u><u>51,402</u></u>	<u><u>83,888</u></u>
Reconciliation of operating income (loss) to net cash (used) in operating activities:			
Operating (loss)	(60,719)	(216,458)	(277,177)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:			
Depreciation expense	9,036	9,605	18,641
Commodities used	-	39,108	39,108
(Increase) decrease in assets and increase (decrease) in liabilities:			
Accounts Receivable	(1,375)	512	(863)
Inventory	-	(2,145)	(2,145)
Accounts Payable	606	3,299	3,905
Salaries and benefits payable	9,877	10,835	20,712
Unearned Revenue	-	875	875
Net cash (used) in operating activities	<u>(42,575)</u>	<u>(154,369)</u>	<u>(196,944)</u>
Non-cash investing, capital and financing activities:			
Federal food commodities received	-	39,108	39,108
Capital Contributions	<u>\$ 33,736</u>	<u>\$ -</u>	<u>\$ 33,736</u>

See Accompanying Notes to Financial Statements

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The West Sioux Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Hawarden and Ireton, Iowa, and predominately agricultural territory in Sioux and Plymouth Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Sioux Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. There is one discretely presented component unit included with this financial report.

Discretely Presented Component Unit

West Sioux Education Foundation - In December of 1988, the District established the West Sioux Educational Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The Foundation devotes itself exclusively to the improvement, aid, and promotion of public programs and projects within the District. The Foundation's financial data as of and for the year ended December 31, 2009 is reported in a separate column to emphasize that it is legally separate from the District. The West Sioux Educational Foundation does not issue separate financial statements.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basic Financial Statements- Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, debt service and capital project funds are classified as governmental activities. The District's school nutrition, before and after school program, and preschool funds are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The District does not allocate indirect costs.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Financial Statements

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three types: governmental, proprietary and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following is a description of the governmental funds of the District.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – Capital Project Funds account for all resources used in the acquisition and construction of capital facilities.

PROPRIETARY FUND TYPES

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board Statements and interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Enterprise Funds – Enterprise Funds are used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District reports the following major governmental funds:

General Fund – See the description on the previous page. The General Fund is always considered to be a major fund.

Capital Project – To account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major enterprise fund:

Before and After School/Daycare – Accounts for the Before and After School (daycare) operations of the District.

D. Basis of Accounting/Measurement Focus

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end, with the exception of expenditure driven grants for which a one-year availability period is used.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa School Cash Anticipation Program which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 for governmental capital assets and \$500 for school nutrition capital assets.

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, and unspent grant proceeds.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the non-instructional and other expenditures functional areas exceeded the amounts budgeted.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less.

At December 31, 2009, the discretely presented component unit had the following investments:

	Fair Value	Credit Risk
Mutual Fund – AIM Investments	\$ 4,495	★★
Mutual Fund – Oppenheimer Investments	10,597	★★
Mutual Fund – Mainstay Investments	10,165	★★★★
	<u>\$ 25,257</u>	

These credit ratings were obtained from Morningstar.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

	Par Value	Credit Risk
U.S. Treasury Note	\$ 15,000	Not Rated

The discretely presented component unit also held \$347,609 in certificates of deposits with the latest maturity extending to December, 2010.

NOTE 3 – INTERFUND TRANSFERS

The detail of short-term interfund transfers for the year ended June 30, 2010 is as follows:

Transfer To	Transfer From	Amount
Non-Major Governmental Fund	Non-Major Governmental Fund	\$ 4,381
Non-Major Governmental Fund	Capital Project Fund	175,942
Non-Major Proprietary Fund	General Fund	35,958
Business-Type Activities	Governmental Activities	33,736*
Total		<u>\$ 250,017</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

*Transfer was recorded to account for capital assets purchased by governmental funds and transferred to enterprise funds.

NOTE 4 – DUE FROM AND DUE TO OTHER FUNDS

The detail of short-term interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
Management Fund	General Fund	\$ 369
General Fund	Before and After School	170,344
General Fund	School Nutrition Fund	\$ 119,749

The School Nutrition Fund and Before and After School are repaying the General Fund for payroll for these funds that is paid out of the General Fund. The remaining amount is the result of interest owed to the Management Fund by the General Fund.

NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa School Cash Anticipation (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2008-09B warrants was 3.0% and the interest rate on the Series 2009-10A warrants was 2.5%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 5 – IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (CONTINUED)

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2008-09B	1/21/09	1/21/10	\$ -	\$ 450,000	\$ 450,000	\$ -
2009-10A	6/25/09	6/23/10	-	900,000	900,000	-
Total			<u>\$ -</u>	<u>\$ 1,350,000</u>	<u>\$ 1,350,000</u>	<u>\$ -</u>

During the year ended June 30, 2010, the District paid \$16,182 of interest on the ISCAP warrants.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 51,375	\$ -	\$ -	\$ 51,375
Construction in Progress	-	20,000	-	20,000
Total capital assets not being depreciated	<u>51,375</u>	<u>20,000</u>	<u>-</u>	<u>71,375</u>
Capital assets being depreciated:				
Buildings	8,894,460	12,418	-	8,906,878
Improvements other than buildings	368,892	-	-	368,892
Furniture and equipment	975,459	74,581	35,068	1,014,972
Total capital assets being depreciated	<u>10,238,811</u>	<u>86,999</u>	<u>35,068</u>	<u>10,290,742</u>
Less: Accumulated Depreciation for:				
Buildings & Improvements	4,132,103	183,847	-	4,315,950
Furniture and equipment	708,399	67,967	35,068	741,298
Total Accumulated Depreciation	<u>4,840,502</u>	<u>251,814</u>	<u>35,068</u>	<u>5,057,248</u>
Total capital assets being depreciated, net	<u>5,398,309</u>	<u>(164,815)</u>	<u>-</u>	<u>5,233,494</u>
Governmental activities capital assets, net	<u>\$ 5,449,684</u>	<u>\$ (144,815)</u>	<u>\$ -</u>	<u>\$ 5,304,869</u>

Construction in progress at June 30, 2010 consisted of costs associated with the Middle School–High School bathroom remodel project.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2009 (As Restated)	Additions	Deletions	Balance June 30, 2010
Business-type Activities:				
Capital assets not being depreciated:				
Construction in Progress	\$ 395,579	\$ -	\$ 395,579	\$ -
Total capital assets not being depreciated	395,579	-	395,579	-
Capital assets being depreciated:				
Buildings	-	395,579	-	395,579
Furniture and equipment	166,528	33,736	-	200,264
Total capital assets being depreciated	166,528	429,315	-	595,843
Less: Accumulated Depreciation				
Buildings	-	7,912	-	7,912
Furniture and Equipment	100,443	10,729	-	111,172
Total Accumulated Depreciation	100,443	18,641	-	119,084
Total capital assets being depreciated, net	66,085	410,674	-	476,759
Business-type activity capital assets, net	\$ 461,664	\$ 410,674	\$ 395,579	\$ 476,759

Depreciation expense was charged to the functions as follows:

Governmental Activities:	
Regular Instruction	\$ 168,371
Other Instruction	23,061
Administration Services	3,774
Operation and Maintenance	13,351
Transportation Services	43,257
Total depreciation expense – governmental activities	<u>\$ 251,814</u>
Business-type Activities:	
Food Service Operations	\$ 9,605
Before and After School Daycare	9,036
Total depreciation expense – business-type activities	<u>\$ 18,641</u>

The discretely presented component unit had no capital assets as of December 31, 2010.

Reconciliation of Invested in Capital Assets:

	Governmental Activities	Business- Type Activities
Land	\$ 51,375	\$ -
Construction in Process	20,000	-
Capital Assets (net of accumulated depreciation)	5,233,494	476,759
Less: Bonds Payable	(3,495,000)	-
Bond Anticipation Notes	(200,000)	-
Capital Lease Payable	(7,541)	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 1,602,328</u>	<u>\$ 476,759</u>

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 7 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 was as follows

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
General Obligation Bonds	\$ 3,850,000	\$ -	\$ 355,000	\$ 3,495,000	\$ 390,000
Bond Anticipation Notes	200,000	-	-	200,000	200,000
Capital Lease Obligation	10,599	-	3,058	7,541	3,493
Early Retirement	261,108	-	50,668	210,440	45,275
Governmental Activities Long-Term Liabilities	<u>\$ 4,321,707</u>	<u>\$ -</u>	<u>\$ 408,726</u>	<u>\$ 3,912,981</u>	<u>\$ 638,768</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2010 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – 2009 Series - Refunding	2.4-3.8%	<u>\$ 3,495,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 390,000	\$ 106,235
2012	400,000	96,875
2013	415,000	87,275
2014	425,000	76,693
2015	440,000	64,793
2016-2018	1,425,000	105,873
Total	<u>\$ 3,495,000</u>	<u>\$ 537,744</u>

Capital Leases

The District has entered into a lease agreement as lessee for financing the acquisition of a scrubber. This lease agreement qualifies as capital leases for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Furniture and Equipment	\$ 10,726
Less: Accumulated Depreciation	<u>1,772</u>
Total	<u>\$ 8,954</u>

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2010.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,493	\$ 888	\$ 4,381
2012	4,048	333	<u>4,381</u>
Minimum Lease Payments			8,762
Less: Amount Representing Interest			<u>(1,221)</u>
Present Value of Minimum Lease Payments			<u>\$ 7,541</u>

Bond Anticipation Notes

On December 9, 2008 the District issued \$200,000 in School Infrastructure Sales, Services, and Use Tax Revenue Anticipation Notes, Series 2008 with an interest rate of 1.9%. The notes were used to fund the building addition to the existing school building of Ireton for the Before and After School/Daycare program. The bond anticipation notes mature on July 1, 2010.

Early Retirement

The District offered a voluntary early retirement plan to its certified employees, which was discontinued as of June 30, 2010. Teachers and administrators who were at least 55 years of age and who had 15 years of continuous service with the District were eligible for Board approved early retirement compensation. Employees making application for early retirement were allowed to remain on the group's health insurance plan at a rate of \$455 per month for individual coverage paid for by the District to end when the employee is Medicare eligible. Those who retired prior to the most recent plan revision will have the entire premium amount paid by the District, which for fiscal year 2010 was \$532 per month. Early retirement benefits paid during the year ended June 30, 2010, totaled \$50,668 for the nine current recipients. The cost of early retirement payments liquidated within the next accounting cycle is recorded as a liability of the Special Revenue, Management Levy Fund, in the fund financial statements. The non-current portion of the early retirement liability is recorded in the government-wide financial statements.

NOTE 8 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30%, 4.10% and 3.90% of their annual covered salary and the District is required to contribute 6.65%, 6.35%, and 6.05% of annual covered payroll for the years ended June 30, 2010, 2009, and 2008 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$281,095, \$282,320, and \$253,216 respectively, equal to the required contributions for each year.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS

During fiscal 2010, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer. Accordingly, a prospective liability is recorded at June 30, 2010 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. Participants must be age 55 or older at retirement.

Funding Policy. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 14,079
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	14,079
Contributions made	(1,137)
Increase in net OPEB obligation	12,942
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	<u>\$ 12,942</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 14,079	8.08%	\$ 12,942

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$81,659, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$81,659. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,050,000 and the ratio of the UAAL to covered payroll was 2%.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to the financial statements, presents

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. Mortality rates are from the RP2000 Group Annuity Mortality Tables, applied on a gender-specific basis. Assumptions include a 3.5% growth in payroll per annum. The participation assumed is 15% for actives electing coverage. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 10 – RISK MANAGEMENT

West Sioux Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$302,706 for the year ended June 30, 2010 and is recorded in the General Fund.

NOTE 12 – DEFICIT FUND BALANCE

As of June 30, 2010, the following fund had a deficit fund balance in the amount shown:

Business Type Activity:	
School Nutrition Fund	\$ (8,831)

The deficit will be funded through additional charges for services.

NOTE 13 – RECLASSIFICATIONS OF A GENERAL NATURE

Certain amounts presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income or fund balance.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 14 – CONSTRUCTION COMMITMENTS

The District has entered into various contracts totaling \$177,183 for a new roof and tuckpointing at the Ireton building, Middle School-High School bathrooms, cement work, gym lighting, and high school office carpeting. As of June 30, 2010, costs of \$20,000 had been incurred against the contracts. The balance of \$157,183 will be paid as work on the projects progresses.

REQUIRED SUPPLEMENTARY INFORMATION

WEST SIOUX COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN BALANCES
BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>	<u>Final to</u>
	<u>Original</u>	<u>Final</u>	<u>Funds</u>	<u>Funds</u>	<u>Actual</u>	<u>Actual</u>
			<u>Actual</u>	<u>Actual</u>		<u>Variance</u>
REVENUE:						
Local Sources:						
Local Tax	\$ 3,577,113	\$ 3,577,113	\$ 4,159,796	\$ -	\$ 4,159,796	\$ 582,683
Tuition	105,000	105,000	120,241	-	120,241	15,241
Other	1,578,987	1,578,987	544,366	225,567	769,933	(809,054)
State Sources	4,495,897	4,495,897	3,793,844	3,904	3,797,748	(698,149)
Federal Sources	606,700	606,700	969,824	257,912	1,227,736	621,036
Total Revenue	10,363,697	10,363,697	9,588,071	487,383	10,075,454	(288,243)
EXPENDITURES/EXPENSES:						
Current:						
Instruction	7,084,732	7,084,732	5,166,272	-	5,166,272	1,918,460
Support Services	2,640,955	2,640,955	1,972,149	-	1,972,149	668,806
Non-instructional Programs	3,116	3,116	2,936	501,392	504,328	(501,212)
Other Expenditures	831,722	831,722	1,019,108	-	1,019,108	(187,386)
Total Expenditures/Expenses	10,560,525	10,560,525	8,160,465	501,392	8,661,857	1,898,668
Excess (Deficiency) of Revenues Over Expenditures/Expenses	(196,828)	(196,828)	1,427,606	(14,009)	1,413,597	1,610,425
Other Financing Sources (Uses):						
Transfers In	480,187	480,187	180,323	35,958	216,281	(263,906)
Transfers Out	(480,187)	(480,187)	(216,281)	-	(216,281)	263,906
Capital Contributions	-	-	-	33,736	33,736	33,736
Total Other Financing Sources (Uses)	-	-	(35,958)	69,694	33,736	33,736
Net Change in Fund Balances	(196,828)	(196,828)	1,391,648	55,685	1,447,333	1,644,161
Fund Balances - Beginning of Year	656,958	656,958	449,126	207,832	656,958	-
Fund Balances - End of Year	\$ 460,130	\$ 460,130	\$ 1,840,774	\$ 263,517	\$ 2,104,291	\$ 1,644,161

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2010, the District had no budget amendments.

During the year ended June 30, 2010, expenditures in the non-instructional and other expenditures functions exceeded the amounts budgeted.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 81,659	\$ 81,659	0.00%	\$ 4,053,005	2.0%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1

REVENUES:

Local Sources:

Local Tax:

Property Tax	\$ 2,661,385
Mobile Home Tax	1,711
Utility Tax Replacement Excise Tax	46,061
Instructional Support Levy	194,595
	<u>2,903,752</u>

Other Local Sources:

Interest on Investments	32,604
Tuition from Individuals	8,900
Tuition from Other Districts	111,341
Rent	400
Miscellaneous	57,861
	<u>211,106</u>
	<u>3,114,858</u>

State Sources:

State Foundation Aid	2,802,805
Statewide Voluntary Preschool	176,460
Beginning Teacher Mentoring Program	5,200
Non-Public Transportation Aid	25,711
Non-Public Textbook and Technology Aid	1,169
Teacher Compensation	378,877
Teacher Quality Professional Development	43,622
Vocational Education Aid	5,706
AEA Flow-Through	302,706
Iowa Early Intervention Block Grant	44,588
Other State Aid	7,000
	<u>3,793,844</u>

Federal Sources:

Title I Grants to Local Educational Agencies	144,366
Migrant Education	53,500
Title III Grants for English Language Acquisition	12,204
State Fiscal Stabilization	393,006
Safe and Drug-Free Schools and Communities-States Grants	2,936
Education for Homeless Children and Youth	44,847
Special Education (IDEA) - Grants to States	168,899
Improving Teacher Quality State Grants	29,844
Grants for Assessments and Related Activities	4,427
Medicaid	107,207
Other	8,588
	<u>969,824</u>

Total Revenue

\$ 7,878,526

Continued

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1 (Continued)

EXPENDITURES:

Instruction:

Regular Instruction:

Salaries	\$ 1,534,780
Benefits	420,707
Services	285,463
Supplies	114,946
Other	6,525
	<u>2,362,421</u>

Special Education Instruction:

Salaries	1,402,285
Benefits	396,562
Services	214,434
Supplies	31,537
Property	7,765
Other	3,733
	<u>2,056,316</u>

Vocational Instruction:

Salaries	136,976
Benefits	34,421
Supplies	8,340
	<u>179,737</u>

Co-curricular Instruction:

Salaries	108,792
Benefits	14,885
Supplies	6,693
	<u>130,370</u>

Total Instruction

4,728,844

Support Services:

Student Services:

Guidance Services:

Salaries	108,493
Benefits	25,976
Services	14
	<u>\$ 134,483</u>

Continued

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1 (Continued)

Support Services (Continued):

Student Services (Continued):

Health Services:

Salaries	\$ 29,415
Benefits	4,881
Supplies	11,548
Other	35
	<u>45,879</u>

Total Student Services	<u>180,362</u>
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Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Salaries	4,148
Benefits	572
Services	15,062
Supplies	61,750
Property	31,849
	<u>113,381</u>

Educational Media Services:

Salaries	56,099
Benefits	21,299
Supplies	3,271
	<u>80,669</u>

Total Instructional Staff Services	<u>194,050</u>
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Support Services:

Administration Services:

Executive Administration:

Salaries	132,017
Benefits	40,106
Services	111
Supplies	1,836
Other	1,560
	<u>175,630</u>

School Administration:

Salaries	215,252
Benefits	81,278
Services	73
Supplies	123
Other	9,991
	<u>\$ 306,717</u>

Continued

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1 (Continued)

Support Services (Continued):

Administration Services (Continued):

Business Administration:

Salaries	\$ 102,637
Benefits	27,011
Services	36,962
Supplies	2,221
Property	756
Other	16,562
	<u>186,149</u>

Board of Education:

Services	44,463
Supplies	4,984
Other	1,279
	<u>50,726</u>

Total Administration Services:

719,222

Support Services:

Plant Operation and Maintenance:

Salaries	165,314
Benefits	41,806
Services	30,013
Supplies	221,954
Property	1,080
Other	49
	<u>460,216</u>

Support Services:

Student Transportation:

Salaries	134,607
Benefits	27,728
Services	43,230
Supplies	61,484
Other	1,651
	<u>268,700</u>

Total Support Services

\$ 1,822,550

Continued

WEST SIOUX COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1 (Continued)

Non-instructional Programs:	
Community Services:	
Services	\$ 800
Supplies	2,136
	<u>2,936</u>
Other Expenditures:	
AEA Flow-Through	<u>302,706</u>
Total Expenditures	<u>6,857,036</u>
Excess of Revenues Over Expenditures	<u>1,021,490</u>
Other Financing Uses:	
Transfers To Other Funds	<u>(35,958)</u>
Total Other Financing Uses	<u>(35,958)</u>
Excess of Revenues Over Expenditures and Other Financing Uses	985,532
Fund Balance (deficit) - Beginning of Year	<u>(624,186)</u>
Fund Balance - End of Year	<u><u>\$ 361,346</u></u>

WEST SIOUX COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

Schedule 2

	Special Revenue Funds				
	Student Activity	Management Levy	PPEL Fund	Debt Service	Total
ASSETS					
Cash and Cash Equivalents	\$ 139,881	\$ 331,905	\$ 170,502	\$ 59,321	\$ 701,609
Receivables:					
Property Tax	-	2,038	4,355	5,121	11,514
Succeeding Year Property Tax	-	-	261,252	181,636	442,888
Accounts	7,780	-	-	-	7,780
Due from Other Funds	-	369	-	-	369
 Total Assets	 147,661	 334,312	 436,109	 246,078	 1,164,160
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	5,626	792	11,262	-	17,680
Early Retirement Payable	-	45,275	-	-	45,275
Deferred Revenue	-	-	618	429	1,047
Deferred Revenue - Succeeding Year					
Property Taxes	-	-	261,252	181,636	442,888
Total Liabilities	5,626	46,067	273,132	182,065	506,890
 Fund Balances					
Reserved for:					
Debt Service	-	-	-	64,013	64,013
Unreserved for:					
Special Revenue Fund	142,035	288,245	162,977	-	593,257
Total Fund Balances	142,035	288,245	162,977	64,013	657,270
Total Liabilities and Equity	\$ 147,661	\$ 334,312	\$ 436,109	\$ 246,078	\$ 1,164,160

WEST SIOUX COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

	Special Revenue Funds				
	Student Activity	Management Levy	PPEL Fund	Debt Service	Total
REVENUE:					
Local Sources:					
Local Tax	\$ -	\$ 149,865	\$250,934	\$ 315,025	\$ 715,824
Other	414,158	12,240	6,234	10,841	443,473
Total Revenue	414,158	162,105	257,168	325,866	1,159,297
EXPENDITURES:					
Current:					
Instruction:					
Regular Instruction	-	26,245	-	-	26,245
Other Instruction	411,183	-	-	-	411,183
Support Services:					
Student Services	-	3,132	-	-	3,132
Operation and Maintenance	-	115,278	31,189	-	146,467
Other Expenditures:					
Facilities Acquisition and Construction	-	-	162,214	-	162,214
Long-term Debt:					
Principal	-	-	-	358,058	358,058
Interest and Fiscal Charges	-	-	-	139,394	139,394
Total Expenditures	411,183	144,655	193,403	497,452	1,246,693
Excess(Deficiency) of Revenues Over Expenditures	2,975	17,450	63,765	(171,586)	(87,396)
Other Financing Sources (Uses):					
Transfers In	-	-	-	180,323	180,323
Transfers Out	-	-	(4,381)	-	(4,381)
Total Other Financing Sources (Uses)	-	-	(4,381)	180,323	175,942
Net Change in Fund Balances	2,975	17,450	59,384	8,737	88,546
Fund Balances - Beginning of Year	139,060	270,795	103,593	55,276	568,724
Fund Balances - End of Year	\$ 142,035	\$ 288,245	\$162,977	\$ 64,013	\$ 657,270

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2010**

Schedule 4

	School Nutrition Fund	Preschool	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 51,402	\$ -	\$ 51,402
Accounts Receivable	313	-	313
Due from Other Governments	20,070	-	20,070
Inventories	4,670	-	4,670
Total Current Assets	<u>76,455</u>	<u>-</u>	<u>76,455</u>
Noncurrent Assets:			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	56,480	-	56,480
Total Noncurrent Assets	<u>56,480</u>	<u>-</u>	<u>56,480</u>
Total Assets	<u>132,935</u>	<u>-</u>	<u>132,935</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	7,270	-	7,270
Due To Other Funds	119,749	-	119,749
Salaries and Benefits Payable	10,835	-	10,835
Unearned Revenue	3,912	-	3,912
Total Current Liabilities	<u>141,766</u>	<u>-</u>	<u>141,766</u>
Total Liabilities	<u>141,766</u>	<u>-</u>	<u>141,766</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	56,480	-	56,480
Unrestricted	(65,311)	-	(65,311)
Total Net Assets	<u>\$ (8,831)</u>	<u>\$ -</u>	<u>\$ (8,831)</u>

WEST SIOUX COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Schedule 5

	School Nutrition Fund	Preschool	Total
Operating Revenues:			
Charges for services	\$ 147,226	\$ -	\$ 147,226
Miscellaneous	1,221	-	1,221
Total Operating Revenue	148,447	-	148,447
Operating Expenditures:			
Non-Instructional Programs:			
Salaries	94,603	-	94,603
Benefits	50,805	-	50,805
Purchased Services	1,514	-	1,514
Supplies	208,378	-	208,378
Depreciation	9,605	-	9,605
Total Operating Expenses	364,905	-	364,905
Operating (Loss)	(216,458)	-	(216,458)
Non-Operating Revenues :			
Interest Income	1,352	-	1,352
State Lunch Reimbursements	3,904	-	3,904
National School Lunch Program	218,804	-	218,804
Federal Food Commodities Received	39,108	-	39,108
Total Non-Operating Revenues	263,168	-	263,168
Income Before Transfers	46,710	-	46,710
Transfers	-	35,958	35,958
Change in net assets	46,710	35,958	82,668
Net Assets - beginning	(55,541)	(35,958)	(91,499)
Net Assets - ending	\$ (8,831)	\$ -	\$ (8,831)

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 6

	School Nutrition Fund	Preschool	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 148,101	\$ -	\$ 148,101
Cash received from miscellaneous operating activities	1,733	-	1,733
Cash paid to employees for services	(134,573)	-	(134,573)
Cash paid to suppliers for goods or services	(169,630)	-	(169,630)
Total cash (used) by operating activities	(154,369)	-	(154,369)
Cash flows from noncapital financing activities:			
State grants received	3,904	-	3,904
Federal grants received	214,751	-	214,751
(Decrease) in due to other funds	(69,368)	(40,133)	(109,501)
Transfer from other funds	-	35,958	35,958
Total cash provided (used) by noncapital financing activities	149,287	(4,175)	145,112
Cash flows from investing activities:			
Interest on investments	1,352	-	1,352
Net decrease in cash and cash equivalents	(3,730)	(4,175)	(7,905)
Cash and cash equivalents - beginning of year	55,132	4,175	59,307
Cash and cash equivalents - end of year	51,402	-	51,402
Reconciliation of operating income (loss) to net cash (used) in operating activities:			
Operating (loss)	(216,458)	-	(216,458)
Adjustments to reconcile net operating (loss) to net cash (used) by operating activities:			
Depreciation expense	9,605	-	9,605
Commodities used	39,108	-	39,108
(Increase) decrease in assets and increase (decrease) in liabilities:			
Accounts Receivable	512	-	512
Inventory	(2,145)	-	(2,145)
Accounts Payable	3,299	-	3,299
Salaries and benefits payable	10,835	-	10,835
Unearned Revenue	875	-	875
Net cash (used) in operating activities	\$ (154,369)	\$ -	\$ (154,369)
Non-cash investing, capital and financing activities:			
Federal food commodities received	\$ 39,108	\$ -	\$ 39,108

WEST SIOUX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010

				Schedule 7
	Balance			Balance
	June 30,	Revenues	Expenditures	June 30,
	2009			2010
HIGH SCHOOL				
Adult Education	\$ 4	\$ -	\$ -	\$ 4
Clearing Account	1,573	45,236	46,476	333
Annual	2,948	3,232	3,272	2,908
Newspaper-Falcon Banner	1,894	1,836	3,233	497
Drama Club	3,234	1,841	1,942	3,133
Dance Team	4,400	6,611	8,284	2,727
Athletic Pop/Materials for Resale	1,148	4,843	3,554	2,437
Vocal Music Group	1,812	3,607	3,367	2,052
Band	562	2,762	3,324	-
High School Athletics	5,902	60,225	66,076	51
Concession Supplies	2,018	34,624	31,604	5,038
Future Famers of America	11,789	6,312	8,941	9,160
Library Club	478	5	482	1
Student Council	4,239	7,985	7,766	4,458
Cheerleaders	4,423	4,973	6,863	2,533
HS Student Newspaper	88	-	-	88
Class of 2009	2,593	-	-	2,593
Class of 2010	2,695	907	883	2,719
Class of 2011	1,392	2,070	598	2,864
Class of 2012	688	1,251	502	1,437
Class of 2013	-	720	-	720
Employee Fundraiser	69	-	-	69
High School Art Club	158	-	50	108
National Honor Society	803	5,368	5,486	685
Volleyball Fundraiser	601	3,735	2,876	1,460
Softball Fundraiser	365	3,698	879	3,184
Boys Basketball Fundraiser	381	5,475	5,275	581
High School Miscellaneous Accounts	1,340	-	-	1,340
Football Fundraiser	9,151	27,314	33,127	3,338
Boy Baseball Fundraiser	1,596	113	1,709	-
Girls Basketball Fundraiser	923	3,472	3,944	451
Cross Country Fundraiser	3,011	1,098	1,198	2,911
Wrestling Fundraiser	426	5,982	4,805	1,603
Track Fundraiser	268	-	100	168
Track Resurface Project	\$ 1,270	\$ -	\$ -	\$ 1,270

(Continued)

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010**

	Schedule 7 (Continued)			
	Balance June 30, 2009	Revenues	Expenditures	Balance June 30, 2010
HIGH SCHOOL - (Continued)				
Prom Fund	\$ 2,151	\$ 9,676	\$ 10,745	\$ 1,082
Math Center Fundraiser	-	8	8	-
Falcon Joe's Coffee Shop	16,726	7,119	4,386	19,459
Recycle Fund	133	-	133	-
FCA	201	382	385	198
Speech	515	1,281	1,796	-
Quiz Bowl	481	-	475	6
Interest	-	2,754	2,754	-
Golf	4	159	-	163
Soccer	203	5,702	2,365	3,540
Case Training	-	3,330	3,330	-
Lakeside Lab	953	3,042	2,802	1,193
Read Across America	-	6,414	6,414	-
PBS	1,946	559	1,052	1,453
Falcon Clothing	1,744	6,115	2,562	5,297
Daycare Fundraiser	1,615	6,959	4,690	3,884
Washington, D.C. Trips	6,991	75,378	73,060	9,309
High School Total	107,905	374,173	373,573	108,505
MIDDLE SCHOOL				
Clearing Account	1,765	-	1,765	-
General	-	33,088	15,056	18,032
Pop	1,469	284	1,753	-
Magazines	5,917	-	5,917	-
Candy Sales	2,170	-	2,170	-
Pictures	1,621	-	1,621	-
Interest	502	71	573	-
Assignment Notebooks	256	381	637	-
Student Participations	1,761	-	1,761	-
History Fair Account	2,131	-	2,131	-
Middle School Total	17,592	33,824	33,384	18,032
IRETON ELEMENTARY	6,303	3,464	3,539	6,228
HAWARDEN ELEMENTARY	7,260	2,697	687	9,270
Grand Totals	\$ 139,060	\$ 414,158	\$ 411,183	\$ 142,035

WEST SIOUX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE SEVEN YEARS ENDED JUNE 30, 2010

	Modified Accrual Basis of Accounting			
	2010	2009	2008	2007
Revenues:				
Local Sources:				
Local Tax	\$ 4,159,796	\$ 3,120,235	\$ 2,740,024	\$ 2,677,428
Tuition	120,241	113,643	100,411	148,739
Other	544,366	608,704	616,836	627,245
State Sources	3,793,844	4,134,225	3,986,607	3,753,054
Federal Sources	969,824	555,167	386,145	380,096
Total	<u>9,588,071</u>	<u>8,531,974</u>	<u>7,830,023</u>	<u>7,586,562</u>
Expenditures:				
Instruction:				
Regular	2,388,666	2,547,867	2,518,803	2,510,548
Special	2,056,316	2,056,196	1,796,036	1,492,013
Other	721,290	775,771	793,791	740,657
Support Services:				
Student	183,494	169,484	162,001	199,534
Instructional Staff	194,050	222,968	486,620	374,433
Administration	719,222	730,676	796,236	727,603
Operation and maintenance of plant	606,683	605,069	682,145	681,095
Transportation	268,700	245,731	276,545	302,274
Non-instructional programs	2,936	1,194	2,642	1,561
Other Expenditures:				
Facilities Acquisition	218,950	426,086	23,388	11,090
Long-term debt:				
Principal	358,058	335,127	405,889	388,792
Interest and other charges	139,394	217,260	198,633	215,618
AEA Flowthrough	302,706	271,270	260,963	242,252
Total	<u>\$ 8,160,465</u>	<u>\$ 8,604,699</u>	<u>\$ 8,403,692</u>	<u>\$ 7,887,470</u>

Schedule 8

Modified Accrual		
2006	2005	2004
\$ 2,539,452	\$ 3,230,943	\$ 2,898,455
159,940	144,066	161,039
828,216	753,478	618,025
3,507,196	3,111,365	3,075,134
467,033	437,105	471,604
<u>7,501,837</u>	<u>7,676,957</u>	<u>7,224,257</u>

2,329,155	2,422,967	2,207,852
1,404,660	855,679	918,168
695,246	766,328	639,521
172,959	140,337	134,220
261,151	245,256	314,336
666,787	554,151	526,789
615,744	652,862	639,087
242,222	209,482	204,360
308,456	298,995	303,979
263,963	111,095	45,258
-	-	-
231,007	246,101	260,767
234,214	224,482	246,791
<u>\$ 7,425,564</u>	<u>\$ 6,727,735</u>	<u>\$ 6,441,128</u>

**WEST SIOUX COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

			Schedule 9
Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 45,410
National School Lunch Program	10.555	FY10	177,245 ***
Summer Food Service Program for Children	10.559	FY10	35,257
			<u>257,912 *</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	108,420
Title I Grants to Local Educational Agencies - ARRA	84.389	FY10	35,946
			<u>144,366</u>
Migrant Education - State Grant Program	84.011	FY10	53,500
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	2,936
Education of Homeless Children and Youth Cluster:			
Education for Homeless Children and Youth	84.196	FY10	21,498
Education for Homeless Children and Youth - ARRA	84.387	FY10	23,349
			<u>44,847</u>
Fund for the Improvement of Education	84.215	FY10	494
Rural Education	84.358	FY10	1,846
English Language Acquisition Grants	84.365	FY10	6,671 **
Improving Teacher Quality State Grants	84.367	FY10	29,844
Grants for State Assessments & Related Activities	84.369	FY10	4,427
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	FY10	393,006 *
Northwest Area Education Agency:			
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	FY10	51,288
Special Education - Grants to States - ARRA	84.391	FY10	117,611
			<u>168,899</u>
English Language Acquisition Grants	84.365	FY10	5,533 **
Career and Technical Education - Basic Grants to States	84.048	FY10	6,249
			<u>11,782</u>
Total			\$ 1,120,530

* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

**Total for CFDA Number 84.365 is \$12,204.

***Includes \$39,108 of non-cash awards.

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the West Sioux Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Schedule 10

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs was disclosed by the audit of the financial statements, and are considered to be material weaknesses.
- (e) A qualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings, which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – State Fiscal Stabilization Fund (SFSF) – Education State Grants - ARRA
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) West Sioux Community School District did not qualify as a low-risk auditee.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Schedule 10

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

MATERIAL WEAKNESSES:

II-A-10 Financial Accounting – Segregation of Duties

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

II-B-10 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables, or capital asset transactions.

Conclusion – Response accepted.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Schedule 10

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA Numbers 10.553, 10.555, 10.559: School Nutrition Cluster Programs
Federal Award Year: 2010
U.S. Department of Agriculture
Questioned Cost: \$257,912

III-A-10 Eligibility – Applications used to determine eligibility for students were unable to be located. Testing to determine if students were properly qualified to receive free or reduced meals under program guidelines was not able to be performed.

Recommendation – The District should implement adequate records management procedures to ensure all necessary documents are maintained.

Response – The District understands the nature of the weakness and will pay close attention to record retention procedures to ensure proper records are maintained.

Conclusion - Adequate testing to determine program eligibility was not able to be performed.

MATERIAL WEAKNESSES:

III-B-10 **Financial Accounting – Segregation of Duties**

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. We will continue to review procedures of the District and make changes as deemed necessary and practical.

Conclusion – Response accepted.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Schedule 10

Part III: Findings and Questioned Costs For Federal Awards (Continued):

III-C-10 Financial Reporting/Grant Administration

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. In addition, adjustments were required to be made to the District's Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the District to properly include all amounts in the Schedule of Expenditures of Federal Awards.

Recommendation – The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District's financial statements and that the Schedule of Expenditures of Federal Awards is properly completed.

Response – The District understands the nature of the weakness and will double check these items in the future to avoid missing any receivables, payables, capital asset transactions, or adjustments to the Schedule of Expenditures of Federal Awards.

Conclusion – Response accepted.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 exceeded the amounts budgeted in the non-instructional and other expenditures functions.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions – Business transactions between the District and District officials are detailed as follow:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Mary Johnson, District Employee Owner of Truesdell Oil Company	Gas/Fuel	\$ 44,715
Scott Vreeman, Employee Spouse Owner of Siouxland Propane	Fuel/Repair	\$ 34,533

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Schedule 10

Part IV: Other Findings Related to Statutory Reporting (Continued):

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest as the transactions were competitively bid.

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Ryan Schwiesow, Board Member Owner of Back to Health	Student Physicals	\$180
Richard Steckelberg, Employee Spouse Owner of Mainstreet Auto Body	Repair	\$225
Karen and Brian Engleman, District Employees Owners of Sportman's Lanes	Physical Education Fees	\$1,298
James Pickner, Employee Spouse Owner of Pickner Law Office	Legal Services	\$1,101

The above transactions do not appear to represent a conflict of interest since the amounts were less than \$1,500 during the year.

- IV-E-10** Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10** Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10** Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-10** Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-10** Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-J-10** Categorical funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-K-10** Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Schedule 10

Part IV: Other Findings Related to Statutory Reporting (Continued):

Beginning Balance	\$	-
Statewide sales and services tax revenue		540,220
Expenditures/transfers out:		
School Infrastructure:		
Buildings	\$ 56,736	
Debt Service for School Infrastructure:		
General Obligation Debt	175,942	
Ending Balance	\$	307,542

IV-L-10

Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. There are several activities reported in the Special Revenue, Student Activity Fund that do not appear to be extracurricular or co-curricular in nature.

Recommendation – The District should review all accounts and reclassify to the appropriate fund in accordance with the guidelines if necessary.

Response – We will review the activity in the accounts and will reclassify to the General Fund if considered necessary.

Conclusion – Response accepted.

IV-M-10

Deficit Balances – The School Nutrition Fund had a deficit fund balance at June 30, 2010.

Recommendation – The District should continue to investigate alternatives to eliminate deficits in order to return this fund to a sound financial condition.

Response – The District will closely monitor expenditures during the year in hopes of eliminating the deficit in this fund.

Conclusion – Response accepted.

WEST SIOUX COMMUNITY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2010

Schedule 10 (Continued)

Part V: Findings – Year Ended June 30, 2009

III-A-09 Financial Accounting – Segregation of Duties

Condition – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Current Status – This finding still exists at June 30, 2010 (See Comment III-B-10).

III-B-09 Financial Reporting/Grant Administration

Condition – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. In addition, adjustments were required to be made to the District's Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the District to properly include all amounts in the Schedule of Expenditures of Federal Awards.

Recommendation –The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District's financial statements and that the Schedule of Expenditures of Federal Awards is properly completed.

Current Status – This finding still exists at June 30, 2010 (See Comment III-C-10).



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
West Sioux Community School District

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the WEST SIOUX COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2010, which collectively comprise the West Sioux Community School District's basic financial statements, and have issued our report thereon dated December 18, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered West Sioux Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Sioux Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Sioux Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items II-A-10 and II-B-10 to be material weaknesses.

The West Sioux Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the West Sioux Community School District's responses and, accordingly, we express no opinion on them.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the West Sioux Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of West Sioux Community School District and other parties to whom the West Sioux Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Sioux Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 18, 2010



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the
West Sioux Community School District:

Compliance:

We have audited the compliance of WEST SIOUX COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. West Sioux Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of West Sioux Community School District's management. Our responsibility is to express an opinion on West Sioux Community School District's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Sioux Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on West Sioux Community School District's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of West Sioux Community School District with the School Nutrition Cluster Program regarding eligibility, nor were we able to satisfy ourselves as to West Sioux Community School District's compliance with those requirements by other auditing procedures.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding West Sioux Community School District's compliance with the requirements of the School Nutrition Cluster Program regarding eligibility, West Sioux Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of West Sioux Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered West Sioux Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over

compliance. Accordingly, we do not express an opinion on the effectiveness of West Sioux Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items III-B-10 and III-C-10 to be material weaknesses.

West Sioux Community School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit West Sioux Community School District's responses and, accordingly, we express no opinion on the responses.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of West Sioux Community School District and other parties to whom West Sioux Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 18, 2010

West Sioux Community School

Gary Richardson., Superintendent, 1300 Falcon Drive, Hawarden, IA 51023
712-551-1461 - Fax-712-551-1367

Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2010

Department of Education:

West Sioux Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2010.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2010.

The findings from the June 30, 2010 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

INSTANCES OF NON-COMPLIANCE:

III-A-10 – Eligibility – National School Lunch Program Cluster CFDA #10.553, #10.555, and #10.559

Eligibility – Applications used to determine eligibility for students were unable to be located. Testing to determine if students were properly qualified to receive free or reduced meals under program guidelines was not able to be performed.

Recommendation – The District should implement adequate records management procedures to ensure all necessary documents are maintained.

Response – The District understands the nature of the weakness and will pay close attention to record retention procedures to ensure proper records are maintained.

MATERIAL WEAKNESSES:

III-B-10 – Financial Accounting – Segregation of Duties – National School Lunch Program Cluster CFDA #10.553, #10.555, and #10.559 – State Fiscal Stabilization Fund (SFSF) – Education State Grants – ARRA CFDA #84.394

Observation – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties, which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetuate and conceal errors or fraud. In performing our audit, we noted that one person has primary responsibility for many accounting and financial duties of the District.

Recommendation – The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Education and Superintendent remain actively involved in the financial affairs of the District to provide oversight and review functions. In addition, the District should periodically review the operating procedures and make changes as necessary to obtain the maximum internal control under the circumstances.

Response – District administration understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District feels that additional

personnel would not be cost effective. However, management will continue to monitor all transactions on a regular basis.

III-C-10 – Financial Reporting – Grant Administration – National School Lunch Program Cluster CFDA #10.553, #10.555, and #10.559 – State Fiscal Stabilization Fund (SFSF) – Education State Grants – ARRA CFDA #84.394

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset additions not recorded in the District's financial statements. In addition, adjustments were required to be made to the District's Schedule of Expenditures of Federal Awards. Adjustments were subsequently made by the District to properly include all amounts in the Schedule of Expenditures of Federal Awards.

Recommendation – The District should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the District's financial statements and that the Schedule of Expenditures of Federal Awards is properly completed.

Response – With limited personnel it is difficult to ensure that all items are captured and reported properly. At this time the Districts feels that additional personnel would not be cost effective, however, management will continue to monitor and double check these areas in the future.

If the Department of Education has questions regarding this plan, please call Gary Richardson at 712-551-1461.

Sincerely yours,

WEST SIOUX COMMUNITY SCHOOL DISTRICT

A handwritten signature in black ink, appearing to read 'Gary Richardson', is written over a horizontal line.

Gary Richardson, Superintendent